

Purchasing and supply organization department

[Business](#), [Organization](#)



I contacted a consultant for Mansell Ltd. and a great deal of information was gathered and analyzed. The following advice would be given for ways of improving their purchasing and supply organization. Currently, Mansell Ltd. Operates from six sites and has a central purchasing and stock control department in the North of England. Upon an analysis of the company, it has been found that orders for production materials have been placed with over 6000 different companies during the last four years.

There are many benefits to be gained from buying from a smaller number of suppliers. The purchasing and supply department would be better organized and thus more efficient if less supply companies were used. Purchasing supplies from fewer companies would result in better pricing of supplies. For example, if the company purchased the same items from several different companies, it is probably getting charged more. Purchasing the same item from only one company will result in savings for the number of items bought because many companies give a discount for large quantities of items purchased.

When using the same companies for purchasing, a rapport between the two is possible. When a supplier knows that his/her products will be needed by a certain company, he/she will be more likely to have those products more readily available. For example, if the seller knows that the buyer needs a thousand items each week, the seller will make sure that those items are in stock and will save them

for the purchaser instead of selling them to another company.

The more sellers, the more confusion there will be. Even with computertechnology, having so many sellers presents a logistical problem. A purchasing and supply organization should follow certain business fundamentals. Low cost, quality, and timeless are fundamental to the business. Planning is required.

Buying from fewer companies results in fewer persons to deal with. Six thousand suppliers are a large number to be dealing with. Those are far too many suppliers involved. Keeping up with that great a number of suppliers would keep several people in the purchasing department busy. In order to become more efficient and use fewer numbers of man-hours, using fewer suppliers is the answer.

Diversity is good in some instances. However, the purchasing and supply organization is not one of them. In fact, diversity only caused unnecessary confusion, and too many chances for problems. Purchasing is one of the vital parts of any company. The products acquired enable the business to create or generate its product. There are a diverse number of potential suppliers, as evidenced by the

6, 000 suppliers that have been utilized in the past. This number makes purchasing a chore instead of an easy adventure. The purchasing department needs as few challenges as possible. Eliminating a number of suppliers cuts down on the challenge they pose.

With insight into the management of the purchasing and supply department's inner workings, many of the sellers can be eliminated. It would

not be prudent to reduce the number to a handful of suppliers, what with the market what it is, but there is certainly no need for a great number of suppliers.

Purchasers and buyers have a specific function. " Purchasers and buyers seek to obtain the highest quality merchandise at the lowest possible purchase cost for their employers. (In general, purchasers buy goods and services for the use of their company or organization whereas buyers buy items for resale.) They determine which commodities or services are best, choose the suppliers of the product or service, negotiate the lowest price, and award contracts that ensure the correct amount of the product or service is received at the appropriate time. In order to accomplish these tasks successfully, purchasers and buyers study sales records and inventory levels of current stock, identify foreign and domestic suppliers, and keep abreast of changes affecting both the supply of and demand for products and materials for which they are responsible" (Anonymous, 1998, PG).

The way to reduce the number of suppliers would be as follows. An analysis of past purchases is required. Decide which companies have the best products for the lowest price. This is not the only factor to consider, however. Other issues, such as ability to get the product to Mansell Ltd. in a timely fashion is also important. Lower prices do not matter if the product does not get there when it is

According to Steele and Court (1996), the understanding of purchasing is critical to a company's long-term ability to profit, and its survival as a company. Understanding of purchasing includes the knowledge of how best

to buy resources. This includes the sellers from whom the product is purchased as well as the amount of supplies that are purchased and when they are purchased (Steele & Court, 1996).

Check out the competition. Ask for samples. Make sure that the seller can deliver when he/she says he/she will, the amount of product that was agreed upon, and at or below the agreed upon cost.

Proper training for the purchasing staff is vital. Regular meetings must be held. All purchasers must know the guidelines of the company. Training programs that teach the purchasers about the best manner in which to perform their jobs is important. A typical training program should include instruction by trained personnel that covers specified goals and only lasts for a day or two. Not a great deal of time should be taken up with training, but the training is vital. The proper changes must be implemented as soon as it is possible.

Negotiation with potential suppliers is important. Having a good rapport between the buyer and the seller is also important. The buyer should travel to the prospective seller's company and see what the company has to offer. One-on-one meetings are still important. By getting out there and getting to know the seller, the buyer will become more than a faceless person in the North of England. He/she

becomes a 'real' person. Making acquaintances is important for business. A bond should be created between the buyer and the seller. Together the two can have a working relationship that is beneficial to the both of them.

According to Killen and Kamauff (1995), purchasing is a planning process. The purchaser should determine both short and long-term needs for business operation. The purchasing function must be controlled. By doing this, its conformance to expectation levels can be ensured. Evaluations are important on a cyclic basis (Killen; Kamauff, 1995).

The buyer should be able to negotiate with the seller. Prospective sellers should be able to give better prices for larger quantities. This allows the purchaser to make better decisions. The seller should be able to meet the needs of the buyer. If he/she does not, then that is not the company to deal with. The buyer does not need added stress; he/she needs products as they are required. When a seller is given the lion's share of purchases, he/she can more readily fill the orders.

A purchaser must have certain tactics. Those tactics include such items as vulnerability management, supply positioning, and suppliers' preferences. He/she must be able to work with others. Communication is vital for the purchaser. Teamwork is a necessary element of purchasing. Constant reevaluation is necessary (Steele & Court, 1996).

According to Malley (1998), the Internet is a viable tool for purchasing departments. Barbara Chilson is the vice president and general manager of Internet commerce for her company, which is W. W. Grainger. In Chilson's opinion, "the advent of purchasing supplies electronically, increasingly referred to as paperless purchasing, can be attributed to a variety of factors and emerging technology" (Malley, 1998).

Purchasing is vital to Mansell Ltd. The purchasing department must streamline and make changes in order to make Mansell Ltd. be as profitable as possible. Having too many suppliers results in chaos. This can be resolved by reducing the number of suppliers. Technology is another important consideration. Purchasing of some items can be done online, which saves time and money.